

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|  |  |              |  |  |  |        |  |
|--|--|--------------|--|--|--|--------|--|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |  |              |  | Local Government Name                      |  | County |  |
| Audit Date   |  | Opinion Date |  | Date Accountant Report Submitted to State: |  |        |  |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 |              |
| Single Audit Reports (ASLGU).   |          |                 |              |

|  |  |      |       |          |
|--|--|------|-------|----------|
| Certified Public Accountant (Firm Name)                |  |      |       |          |
| Street Address   |  | City | State | ZIP Code |
| Accountant Signature<br><i>Siegfried Crandall P.C.</i> |  |      | Date  |          |

*Charter Township of Comstock*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2004*

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## INDEPENDENT AUDITORS' REPORT

**Township Board  
Charter Township of Comstock, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Charter Township of Comstock, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Comstock, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 15, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2005, on our consideration of the Charter Township of Comstock, Michigan's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Charter Township of Comstock, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Comstock, Michigan's basic financial statements. The accompanying supplementary information and supplementary data are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The supplementary information and data, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

May 24, 2005

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Comstock**  
**STATEMENT OF NET ASSETS**  
December 31, 2004

|   | <i>Primary government</i>          |                                     |               |
|---|------------------------------------|-------------------------------------|---------------|
|   | <i>Governmental<br/>activities</i> | <i>Business-type<br/>activities</i> | <i>Totals</i> |
| <b>ASSETS</b>                                   |                                    |                                     |               |
| Current assets:                                 |                                    |                                     |               |
| Cash  | \$ 4,692,033                       | \$ 70,985                           | \$ 4,763,018  |
| Receivables, net                                | 2,193,085                          | 1,562                               | 2,194,647     |
| Prepaid expense                                 | 19,144                             | -                                   | 19,144        |
| Total current assets                            | 6,904,262                          | 72,547                              | 6,976,809     |
| Noncurrent assets:                              |                                    |                                     |               |
| Receivables, net                                | 1,008,544                          | -                                   | 1,008,544     |
| Capital assets, net of accumulated depreciation | 11,203,099                         | 14,443                              | 11,217,542    |
| Total noncurrent assets                         | 12,211,643                         | 14,443                              | 12,226,086    |
| Total assets                                    | 19,115,905                         | 86,990                              | 19,202,895    |
| <b>LIABILITIES</b>                              |                                    |                                     |               |
| Current liabilities:                            |                                    |                                     |               |
| Payables  | 393,424                            | 17,723                              | 411,147       |
| Deferred revenue                                | 2,496,464                          | -                                   | 2,496,464     |
| Current portion of long-term obligations        | 250,000                            | -                                   | 250,000       |
| Total current liabilities                       | 3,139,888                          | 17,723                              | 3,157,611     |
| Noncurrent liabilities:                         |                                    |                                     |               |
| Long-term obligations                           | 2,550,000                          | -                                   | 2,550,000     |
| Total liabilities                               | 5,689,888                          | 17,723                              | 5,707,611     |
| <b>NET ASSETS</b>                               |                                    |                                     |               |
| Invested in capital assets, net of related debt | 8,403,099                          | 14,443                              | 8,417,542     |
| Restricted for:                                 |                                    |                                     |               |
| Public safety                                   | 622,889                            | -                                   | 622,889       |
| Public works                                    | 25,151                             | -                                   | 25,151        |
| Health and welfare                              | 15,508                             | -                                   | 15,508        |
| Recreation and culture                          | 556,578                            | -                                   | 556,578       |
| Debt service                                    | 1,646,585                          | -                                   | 1,646,585     |
| Unrestricted (deficit)                          | 2,156,207                          | 54,824                              | 2,211,031     |
| Total net assets                                | \$ 13,426,017                      | \$ 69,267                           | \$ 13,495,284 |

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**Component unit**

**Comstock**  
**Community Center**

\$ 33,209  
63,934

-

97,143

-

69,476

69,476

166,619

59,651

22,304

-

81,955

12,748

94,703

69,476

-

-

-

76,612

-

(74,172)

\$ 71,916

See notes to the financial statements



**Charter Township of Comstock**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2004

| Functions/Programs                 | <u>Expenses</u>     | <u>Program revenues</u>     |   |   |
|------------------------------------|---------------------|-----------------------------|---|---|
|                                    |                     | <u>Charges for services</u> | <u>Operating grants and contributions</u> | <u>Capital grants and contributions</u> |
| Governmental activities:           |                     |                             |   |   |
| Legislative                        | \$ 28,353           | \$ -                        | \$ -                                      | \$ -                                    |
| General government                 | 809,287             | 175,186                     | -   | -                                       |
| Public safety                      | 1,393,086           | 1,077,983                   | -   | 27,925                                  |
| Public works                       | 2,902,182           | 538,628                     | 8,294                                     | 2,615,031                               |
| Community and economic development | 74,949              | 21,732                      | -   | -                                       |
| Culture and recreation             | 139,147             | 143,806                     | 17,740                                    | -                                       |
| Health and welfare                 | 960,998             |                             |   |   |
| Interest on long-term debt         | 137,905             | 62,250                      | -   | -                                       |
| Total governmental activities      | <u>6,445,907</u>    | <u>2,019,585</u>            | <u>26,034</u>                             | <u>2,642,956</u>                        |
| Business-type activity:            |                     |                             |   |   |
| Building inspection                | <u>230,705</u>      | <u>226,773</u>              | <u>-</u>                                  | <u>-</u>                                |
| Total primary government           | <u>\$ 6,676,612</u> | <u>\$ 2,246,358</u>         | <u>\$ 26,034</u>                          | <u>\$ 2,642,956</u>                     |
| Component unit                     |                     |                             |   |   |
| Health and welfare                 | \$ 504,182          | \$ 63,357                   | \$ 203,448                                | \$ -                                    |
| Culture and recreation             | <u>59,991</u>       | <u>27,035</u>               | <u>752</u>                                | <u>-</u>                                |
| Total component units              | <u>\$ 564,173</u>   | <u>\$ 90,392</u>            | <u>\$ 204,200</u>                         | <u>\$ -</u>                             |

General revenues

Property taxes  
State grants  
Investment income  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

| <b><i>Net (expense) revenue and changes in net assets</i></b> |  |                      |   |
|---|--|----------------------|---|
| <b><i>Primary government</i></b>                              |  |                      | <b><i>Component unit</i></b>            |
| <b><i>Governmental activities</i></b>                         | <b><i>Business-type activities</i></b> | <b><i>Totals</i></b> | <b><i>Comstock Community Center</i></b> |
| \$ (28,353)   |  | \$ (28,353)          |   |
| (634,101)   |  | (634,101)            |   |
| (287,178)   |  | (287,178)            |   |
| 259,771   |  | 259,771              |   |
| (53,217)  |  | (53,217)             |   |
| 22,399  |  | 22,399               |   |
| (960,998)   |  | (960,998)            |   |
| (75,655)  |  | (75,655)             |   |
| <u>(1,757,332)</u>  |  | <u>(1,757,332)</u>   |   |
|   | <u>(3,932)</u>                         | <u>(3,932)</u>       |   |
| \$ <u>(1,757,332)</u>   | <u>(3,932)</u>                         | <u>(1,761,264)</u>   |   |
|   |  |                      | \$ (237,377)                            |
|   |  |                      | <u>(32,204)</u>                         |
|   |  |                      | <u>(269,581)</u>                        |
| \$ 1,155,181  | -                                      | 1,155,181            | -                                       |
| 1,089,456   | -                                      | 1,089,456            | -                                       |
| 79,200  | -                                      | 79,200               | 1,708                                   |
| 10,661  | -                                      | 10,661               | 4,610                                   |
| <u>(173,435)</u>  | <u>-</u>                               | <u>(173,435)</u>     | <u>173,435</u>                          |
| <u>2,161,063</u>  | <u>-</u>                               | <u>2,161,063</u>     | <u>179,753</u>                          |
| 403,731   | (3,932)                                | 399,799              | (89,828)                                |
| <u>13,022,286</u>   | <u>73,199</u>                          | <u>13,095,485</u>    | <u>161,744</u>                          |
| \$ <u>13,426,017</u>  | \$ <u>69,267</u>                       | \$ <u>13,495,284</u> | \$ <u>71,916</u>                        |

See notes to the financial statements

**Charter Township of Comstock**  
**BALANCE SHEET - governmental funds**  
December 31, 2004

|  | <u>General</u>      | <u>Fire<br/>Operating<br/>Fund</u> | <u>Library<br/>Fund</u> | <u>Sewer and<br/>Water<br/>Improvement<br/>Fund</u> | <u>CDBG<br/>Grant Fund</u> |
|--|---------------------|------------------------------------|-------------------------|---|----------------------------|
| <b>ASSETS</b>                          |                     |                                    |                         |   |                            |
| Cash                                   | \$ 471,046          | \$ 727,595                         | \$ 805,951              | \$ 1,219,473  | \$ -                       |
| Receivables, net                       | 810,703             | 509,073                            | 365,679                 | 155,451   | 136,268                    |
| Due from other funds                   | -                   | -                                  | -                       | 17,695  | -                          |
| Total assets                           | <u>\$ 1,281,749</u> | <u>\$ 1,236,668</u>                | <u>\$ 1,171,630</u>     | <u>\$ 1,392,619</u>                                 | <u>\$ 136,268</u>          |
| <b>LIABILITIES AND FUND BALANCES</b>   |                     |                                    |                         |   |                            |
| Liabilities:                           |                     |                                    |                         |   |                            |
| Payables                               | \$ 87,204           | \$ 34,067                          | \$ 20,755               | \$ 12,616   | \$ 124,590                 |
| Due to other funds                     | -                   | -                                  | -                       | -   | 11,678                     |
| Due to other governmental units        | 46,026              | -                                  | -                       | -   | -                          |
| Deferred revenue                       | <u>608,090</u>      | <u>934,308</u>                     | <u>613,441</u>          | <u>136,072</u>                                      | <u>-</u>                   |
| Total liabilities                      | <u>741,320</u>      | <u>968,375</u>                     | <u>634,196</u>          | <u>148,688</u>                                      | <u>136,268</u>             |
| Fund balances:                         |                     |                                    |                         |   |                            |
| Unreserved                             | 540,429             | 268,293                            | 537,434                 | 1,243,931   | -                          |
| Unreserved, reported in nonmajor:      |                     |                                    |                         |   |                            |
| Special revenue funds                  | -                   | -                                  | -                       | -   | -                          |
| Debt service funds                     | <u>-</u>            | <u>-</u>                           | <u>-</u>                | <u>-</u>  | <u>-</u>                   |
| Total fund balances                    | <u>540,429</u>      | <u>268,293</u>                     | <u>537,434</u>          | <u>1,243,931</u>                                    | <u>-</u>                   |
| Total liabilities and fund<br>balances | <u>\$ 1,281,749</u> | <u>\$ 1,236,668</u>                | <u>\$ 1,171,630</u>     | <u>\$ 1,392,619</u>                                 | <u>\$ 136,268</u>          |

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

*Net assets of governmental activities*

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| <u>1993 Sewer<br/>Bond Fund</u> | <u>1996 Sewer<br/>Bond Fund</u> | <u>Nonmajor<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|---------------------------------|---------------------------------|--|---|
| \$ 405,389                      | \$ 495,984                      | \$ 566,595                                 | \$ 4,692,033                            |
| 252,562                         | 544,997                         | 426,896                                    | 3,201,629                               |
| -                               | -                               | -  | 17,695                                  |
| <u>\$ 657,951</u>               | <u>\$ 1,040,981</u>             | <u>\$ 993,491</u>                          | <u>\$ 7,911,357</u>                     |

|                |                |                |                  |
|----------------|----------------|----------------|------------------|
| \$ -           | \$ -           | \$ 13,688      | \$ 292,920       |
| -              | -              | 6,017          | 17,695           |
| -              | -              | -              | 46,026           |
| <u>252,562</u> | <u>529,864</u> | <u>577,671</u> | <u>3,652,008</u> |
| <u>252,562</u> | <u>529,864</u> | <u>597,376</u> | <u>4,008,649</u> |

|                |                |                |                  |
|----------------|----------------|----------------|------------------|
| 405,389        | 511,117        | -              | 3,506,593        |
| -              | -              | 395,255        | 395,255          |
| -              | -              | 860            | 860              |
| <u>405,389</u> | <u>511,117</u> | <u>396,115</u> | <u>3,902,708</u> |

|                   |                     |                   |
|-------------------|---------------------|-------------------|
| <u>\$ 657,951</u> | <u>\$ 1,040,981</u> | <u>\$ 993,491</u> |
|-------------------|---------------------|-------------------|

11,203,099

19,144

(2,800,000)

1,155,544

(54,478)

\$ 13,426,017

See notes to the financial statements

**Charter Township of Comstock****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended December 31, 2004

|  | <u>General</u>    | <u>Fire<br/>Operating<br/>Fund</u> | <u>Library<br/>Fund</u> | <u>Sewer and<br/>Water<br/>Improvement<br/>Fund</u> |
|--|-------------------|------------------------------------|-------------------------|---|
| <b>REVENUES</b>  |                   |                                    |                         |   |
| Taxes  | \$ 724,062        | \$ -                               | \$ 579,360              | \$ -  |
| Licenses and permits   | 86,268            | -                                  | -                       | -   |
| Federal grants   | -                 | 27,925                             | -                       | -   |
| State grants   | 1,079,407         | -                                  | 37,677                  | -   |
| Charges for services   | 205,327           | -                                  | 5,628                   | 216,100   |
| Fines and forfeitures  | 22,272            | -                                  | 37,805                  | -   |
| Interest and rentals   | 37,292            | 2,894                              | 10,285                  | 19,639  |
| Other  | 2,271             | 881,585                            | 492                     | -   |
|  | <u>2,156,899</u>  | <u>912,404</u>                     | <u>671,247</u>          | <u>235,739</u>                                      |
| Total revenues   |                   |                                    |                         |   |
| <b>EXPENDITURES</b>  |                   |                                    |                         |   |
| Legislative  | 21,797            | -                                  | 6,556                   | -   |
| General government   | 741,842           | -                                  | -                       | -   |
| Public safety  | 437,330           | 868,282                            | -                       | -   |
| Public works   | 89,885            | -                                  | -                       | 43,847  |
| Community and economic development                           | 74,949            | -                                  | -                       | -   |
| Health and welfare   | 139,147           | -                                  | -                       | -   |
| Culture and recreation                                       | 319,581           | -                                  | 597,862                 | -   |
| Debt service:  |                   |                                    |                         |   |
| Principal  | -                 | -                                  | -                       | -   |
| Interest   | -                 | -                                  | -                       | -   |
| Capital outlay   | 59,512            | 103,455                            | 19,595                  | -   |
|  | <u>1,884,043</u>  | <u>971,737</u>                     | <u>624,013</u>          | <u>43,847</u>                                       |
| Total expenditures   |                   |                                    |                         |   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>272,856</u>    | <u>(59,333)</u>                    | <u>47,234</u>           | <u>191,892</u>                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                                    |                         |   |
| Transfers in   | -                 | -                                  | -                       | 159,777   |
| Transfers out  | (192,579)         | -                                  | -                       | (37,365)  |
|  | <u>(192,579)</u>  | <u>-</u>                           | <u>-</u>                | <u>122,412</u>                                      |
| Total other financing sources (uses)                         |                   |                                    |                         |   |
| Net change in fund balances                                  | 80,277            | (59,333)                           | 47,234                  | 314,304   |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>460,152</u>    | <u>327,626</u>                     | <u>490,200</u>          | <u>929,627</u>                                      |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 540,429</u> | <u>\$ 268,293</u>                  | <u>\$ 537,434</u>       | <u>\$ 1,243,931</u>                                 |

| <b><u>CDBG<br/>Grant Fund</u></b> | <b><u>1993 Sewer<br/>Bond Fund</u></b> | <b><u>1996 Sewer<br/>Bond Fund</u></b> | <b><u>Nonmajor<br/>governmental<br/>funds</u></b> | <b><u>Total<br/>governmental<br/>funds</u></b> |
|-----------------------------------|--|--|---|--|
| \$ -                              | \$ -                                   | \$ -                                   | \$ -  | \$ 1,303,422                                   |
| -                                 | -                                      | -                                      | -   | 86,268   |
| 2,615,031                         | -                                      | -                                      | -   | 2,642,956                                      |
| -                                 | -                                      | -                                      | -   | 1,117,084                                      |
| -                                 | -                                      | -                                      | -   | 427,055  |
| -                                 | -                                      | -                                      | -   | 60,077   |
| -                                 | 16,716                                 | 37,819                                 | 16,805  | 141,450  |
| -                                 | 49,282                                 | 80,709                                 | 372,938   | 1,387,277                                      |
| <u>2,615,031</u>                  | <u>65,998</u>                          | <u>118,528</u>                         | <u>389,743</u>                                    | <u>7,165,589</u>                               |
| -                                 | -                                      | -                                      | -   | 28,353   |
| -                                 | -                                      | -                                      | -   | 741,842  |
| -                                 | -                                      | -                                      | 1,810   | 1,307,422                                      |
| 2,615,031                         | 5,590                                  | 4,790                                  | 177,788   | 2,936,931                                      |
| -                                 | -                                      | -                                      | -   | 74,949   |
| -                                 | -                                      | -                                      | -   | 139,147  |
| -                                 | -                                      | -                                      | -   | 917,443  |
| -                                 | 150,000                                | 100,000                                | 35,000  | 285,000  |
| -                                 | 74,300                                 | 69,201                                 | 1,810   | 145,311  |
| -                                 | -                                      | -                                      | 5,023   | 187,585  |
| <u>2,615,031</u>                  | <u>229,890</u>                         | <u>173,991</u>                         | <u>221,431</u>                                    | <u>6,763,983</u>                               |
| <u>-</u>                          | <u>(163,892)</u>                       | <u>(55,463)</u>                        | <u>168,312</u>                                    | <u>401,606</u>                                 |
| -                                 | -                                      | -                                      | 37,365  | 197,142  |
| -                                 | -                                      | -                                      | (159,777)   | (389,721)                                      |
| -                                 | -                                      | -                                      | (122,412)   | (192,579)                                      |
| -                                 | (163,892)                              | (55,463)                               | 45,900  | 209,027  |
| -                                 | 569,281                                | 566,580                                | 350,215   | 3,693,681                                      |
| <u>\$ -</u>                       | <u>\$ 405,389</u>                      | <u>\$ 511,117</u>                      | <u>\$ 396,115</u>                                 | <u>\$ 3,902,708</u>                            |

See notes to financial statements

**Charter Township of Comstock**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - governmental funds (Continued)**  
Year ended December 31, 2004

|   | <b><i>Total<br/>governmental<br/>funds</i></b> |
|---|--|
| Net change in fund balances - total governmental funds  | \$ 209,027                                     |
| Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:  |  |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$(524,264) exceeded depreciation \$(498,594) in the current period.  | 25,670   |
| Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.  | 19,144   |
| Interest expense is recorded when incurred in the statement of activities.  | 7,406  |
| Creation of special assessments do not provide current financial resources to the funds, thereby increasing deferred revenue in the governmental funds. Collections on special assessments receivable is a revenue in the governmental funds, but the collections reduce long-term receivables in the statement of net assets. This is the amount by which collections (\$193,706) exceeded special assessments created (\$51,190) in the current period. | (142,516)                                      |
| Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.   | <u>285,000</u>                                 |
| Change in net assets of <i>governmental activities</i>  | <u>\$ 403,731</u>                              |

See notes to the financial statements

**Charter Township of Comstock**  
**STATEMENT OF NET ASSETS - proprietary fund**  
December 31, 2004

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|  | <u><b>Building<br/>Inspection</b></u> |
|--|---------------------------------------|
| <b>ASSETS</b>  |                                       |
| Current assets:                                      |                                       |
| Cash   | \$ 70,985                             |
| Receivables, net                                     | <u>1,562</u>                          |
| Total current assets                                 | 72,547                                |
| Noncurrent assets:                                   |                                       |
| Capital assets, net of<br>accumulated depreciation   | <u>14,443</u>                         |
| Total assets   | <u>86,990</u>                         |
| <b>LIABILITIES</b>                                   |                                       |
| Current liabilities:                                 |                                       |
| Payables   | <u>17,723</u>                         |
| <b>NET ASSETS</b>                                    |                                       |
| Investment in capital assets,<br>net of related debt | 14,443                                |
| Restricted for public safety                         | <u>54,824</u>                         |
| Total net assets                                     | <u>\$ 69,267</u>                      |

See notes to the financial statements



**Charter Township of Comstock**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary fund***  
*Year ended December 31, 2004*

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|                               | <b><u>Building<br/>Inspection</u></b> |
|-------------------------------|---------------------------------------|
| <b>OPERATING REVENUES</b>     |                                       |
| Charges for services          | <u>\$ 226,773</u>                     |
| <b>OPERATING EXPENSES</b>     |                                       |
| Personnel costs               | 129,400                               |
| Contracted services           | 61,795                                |
| Supplies                      | 4,696                                 |
| Internal charges              | 30,000                                |
| Depreciation                  | <u>4,814</u>                          |
| Total operating expenses      | <u>230,705</u>                        |
| <b>CHANGE IN NET ASSETS</b>   | (3,932)                               |
| <b>NET ASSETS - BEGINNING</b> | <u>73,199</u>                         |
| <b>NET ASSETS - ENDING</b>    | <u>\$ 69,267</u>                      |

*See notes to the financial statements*

**Charter Township of Comstock**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended December 31, 2004

|   | <u><b>Building<br/>Inspection</b></u> |
|---|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                       |
| Receipts from customers   | \$ 225,386                            |
| Payments to vendors and suppliers   | (108,386)                             |
| Payments to employees   | (78,212)                              |
| Internal activity - payments to other funds   | <u>(30,000)</u>                       |
| <b>NET INCREASE IN CASH</b>   | 8,788                                 |
| <b>CASH - BEGINNING</b>   | <u>62,197</u>                         |
| <b>CASH - ENDING</b>  | <u>\$ 70,985</u>                      |
| <br><b>Reconciliation of operating income to net cash<br/>provided by operating activities:</b> |                                       |
| Operating loss  | \$ (3,932)                            |
| Adjustments to reconcile operating<br>income (loss) to net cash                                 |                                       |
| Depreciation  | 4,814                                 |
| Increase in receivables   | (1,387)                               |
| Increase in payables  | <u>9,293</u>                          |
| <br>Net cash provided by operating activities   | <br><u>\$ 8,788</u>                   |

See notes to the financial statements

**Charter Township of Comstock**

**STATEMENT OF FIDUCIARY NET ASSETS - agency fund**

*December 31, 2004*

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**ASSETS**

|                                   |                     |
|-----------------------------------|---------------------|
| Cash                              | \$ 1,540,119        |
| Due from other governmental units | <u>767,602</u>      |
| Total assets                      | <u>\$ 2,307,721</u> |

**LIABILITIES**

|                                 |                     |
|---------------------------------|---------------------|
| Due to other governmental units | <u>\$ 2,307,721</u> |
|---------------------------------|---------------------|

*See notes to the financial statements*

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Comstock, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

*Discretely-presented component unit:*

*Comstock Community Center:*

The Center meets the criteria of a component unit and has been included in the Township's government-wide financial statements as a discretely-presented component unit. This unit is reported in a separate column to emphasize it is legally separate from the Township. The Center has a December 31 year end. The Center's administrative office is located at 6330 King Highway, Comstock, Michigan 49041.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township's fire protection. Revenues are primarily derived from property taxes.

The Library Fund accounts for the Township's operational costs of the Library. Revenues are primarily derived from property taxes.

The Sewer and Water Improvement Fund accounts for the financial resources used for the expansion and repairs and maintenance of sewer and water lines located in the Township. Revenues are primarily derived from connection fees.

The CDBG Grant Fund accounts for the construction infrastructure improvements related to economic development in the Township. Revenues are primarily derived from federal grants

The 1993 Sewer Bond Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The 1996 Sewer Bond Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major proprietary fund:

The Building Inspection Fund accounts for the activities of the Township's building inspection department.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 20 - 40 years |
| Equipment                  | 5 - 10 years  |
| Vehicles                   | 10 - 20 years |
| Infrastructure             | 50 years      |

*iv) Compensated absences* - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements.

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

vi) *Property tax revenue recognition* (continued):

The 2004 taxable valuation of the Township totaled \$406,683,061, on which ad valorem taxes levied consisted of the following:

| <u>Fund</u>     | <u>Millage rate</u> | <u>Purpose</u>                  | <u>Taxes raised</u> |
|-----------------|---------------------|---------------------------------|---------------------|
| General         | 0.9782              | General operations              | \$ 392,908          |
| Library         | 1.4882              | Library operations              | 597,774             |
| Senior services | 0.4971              | Senior services<br>and programs | 199,651             |

Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

| <u>Fund</u>                         | <u>Function</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------------|-----------------|---------------|---------------|-----------------|
| General                             | Capital outlay  | \$ 47,158     | \$ 59,512     | \$ (12,354)     |
| Fire Operating Fund                 | Capital outlay  | 82,345        | 103,455       | (21,110)        |
| Sewer and Water<br>Improvement Fund | Public works    | -             | 43,847        | (43,847)        |
|                                     | Transfers out   | -             | 37,365        | (37,365)        |
| Unbonded Sewer Districts            | Transfers out   | -             | 20,810        | (20,810)        |
| Unbonded Water Districts            | Transfers out   | -             | 8,161         | (8,161)         |



**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS:**

Cash as presented in the accompanying financial statements, consists of the following:

|              | <u>Govern-<br/>mental<br/>activities</u> | <u>Business-<br/>type<br/>activities</u> | <u>Fiduciary</u>    | <u>Total<br/>primary<br/>government</u> | <u>Total<br/>component<br/>unit</u> | <u>Total</u>        |
|--------------|--|--|---------------------|---|-------------------------------------|---------------------|
| Deposits     | \$ 4,691,033                             | \$ 70,985                                | \$ 1,540,119        | \$ 6,302,137                            | \$ 32,433                           | \$ 6,334,570        |
| Investments  | -  | -  | -                   | -                                       | 776                                 | 776                 |
| Cash on hand | <u>1,000</u>                             | <u>-</u>                                 | <u>-</u>            | <u>1,000</u>                            | <u>-</u>                            | <u>1,000</u>        |
| Total cash   | <u>\$ 4,692,033</u>                      | <u>\$ 70,985</u>                         | <u>\$ 1,540,119</u> | <u>\$ 6,303,137</u>                     | <u>\$ 33,209</u>                    | <u>\$ 6,336,346</u> |

*Deposits with financial institutions:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At December 31, 2004, the Township has deposits with a carrying amount of \$6,302,137 and a bank balance of \$4,974,094. Of the bank balance, \$300,000 is covered by federal depository insurance and \$4,674,094 is uninsured.

The Center's cash is deposited with financial institutions authorized by statute. At December 31, 2004, the Center has deposits with a carrying amount of \$32,433 and a bank balance of \$32,846, which is covered by federal depository insurance.

*Investments:*

State statutes and the Center's investment policy authorize the Center to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments.

The GASB Statement 3 risk disclosures for the Center's investments are as follows:

| <u>Investment type</u> | <u>Amount</u> |
|------------------------|---------------|
| Risk-categorized:      |               |
| Securities             | <u>\$ 776</u> |

The Center's risk-categorized investments are carried at market value and are registered and held in the Center's name by a financial institution. The non-risk categorized investments are carried at cost, which approximates market.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

At December 31, 2004, the Township's receivables were as follows:

|                               | <u>Accounts</u>  | <u>Property<br/>taxes</u> | <u>Special<br/>Assess-<br/>ments</u> | <u>Inter-<br/>govern-<br/>mental</u> | <u>Totals</u>       |
|-------------------------------|------------------|---------------------------|--------------------------------------|--------------------------------------|---------------------|
| Governmental activities:      |                  |                           |                                      |                                      |                     |
| General Fund                  | \$ 35,842        | \$ 389,678                | \$ -                                 | \$ 385,183                           | \$ 810,703          |
| Fire Operating Fund           | 490              | -                         | 508,583                              | -                                    | 509,073             |
| Library Fund                  | -                | 365,679                   | -                                    | -                                    | 365,679             |
| Water Improvement Fund        | 15,644           | -                         | 139,807                              | -                                    | 155,451             |
| CDBG Grant Fund               | -                | -                         | -                                    | 136,268                              | 136,268             |
| 1993 Sewer Bond Fund          | -                | -                         | 252,562                              | -                                    | 252,562             |
| 1996 Sewer Bond Fund          | -                | -                         | 544,997                              | -                                    | 544,997             |
| Nonmajor governmental funds   | -                | -                         | 426,896                              | -                                    | 426,896             |
| Total governmental activities | <u>\$ 51,976</u> | <u>\$ 755,357</u>         | <u>\$ 1,872,845</u>                  | <u>\$ 521,451</u>                    | <u>\$ 3,201,629</u> |
| Business-type activity:       |                  |                           |                                      |                                      |                     |
| Building Inspection Fund      | <u>\$ 1,562</u>  | <u>\$ -</u>               | <u>\$ -</u>                          | <u>\$ -</u>                          | <u>\$ 1,562</u>     |
| Component unit:               |                  |                           |                                      |                                      |                     |
| Comstock Community Center     | <u>\$ 63,183</u> | <u>\$ -</u>               | <u>\$ -</u>                          | <u>\$ -</u>                          | <u>\$ 63,183</u>    |
| Noncurrent portion            | <u>\$ -</u>      | <u>\$ -</u>               | <u>\$ 1,008,544</u>                  | <u>\$ -</u>                          | <u>\$ 1,008,544</u> |

All receivables are due within one year and are considered fully collectible.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2004, was as follows:

|  | <u>Beginning<br/>balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities:                             |                              |                   |                  |                           |
| Capital assets not being depreciated - land          | \$ 290,226                   | \$ -              | \$ -             | \$ 290,226                |
| Capital assets being depreciated:                    |                              |                   |                  |                           |
| Buildings  | 3,181,939                    | -                 | -                | 3,181,939                 |
| Equipment  | 1,484,945                    | 269,439           | -                | 1,754,384                 |
| Vehicles   | 1,404,558                    | -                 | -                | 1,404,558                 |
| Infrastructure                                       | 10,077,507                   | 254,825           | -                | 10,332,332                |
| Total capital assets being depreciated               | 16,148,949                   | 524,264           | -                | 16,673,213                |
| Less accumulated depreciation for:                   |                              |                   |                  |                           |
| Buildings  | (1,339,046)                  | (76,153)          | -                | (1,415,199)               |
| Equipment  | (747,531)                    | (146,923)         | -                | (894,454)                 |
| Vehicles   | (610,082)                    | (68,871)          | -                | (678,953)                 |
| Infrastructure                                       | (2,565,087)                  | (206,647)         | -                | (2,771,734)               |
| Total accumulated depreciation                       | (5,261,746)                  | (498,594)         | -                | (5,760,340)               |
| Net capital assets being depreciated                 | 10,887,203                   | 25,670            | -                | 10,912,873                |
| Total governmental activities<br>capital assets, net | <u>\$ 11,177,429</u>         | <u>\$ 25,670</u>  | <u>\$ -</u>      | <u>\$ 11,203,099</u>      |
| Business type activity:                              |                              |                   |                  |                           |
| Vehicle  | 24,071                       | -                 | -                | 24,071                    |
| Less accumulated depreciation                        | (4,814)                      | (4,814)           | -                | (9,628)                   |
| Business type activity capital assets, net           | <u>\$ 19,257</u>             | <u>\$ (4,814)</u> | <u>\$ -</u>      | <u>\$ 14,443</u>          |
| Component unit:                                      |                              |                   |                  |                           |
| Capital assets being depreciated:                    |                              |                   |                  |                           |
| Equipment  | \$ 92,132                    | \$ 5,064          | \$ -             | \$ 97,196                 |
| Vehicles   | 67,006                       | -                 | -                | 67,006                    |
| Total capital assets being depreciated               | 159,138                      | 5,064             | -                | 164,202                   |

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

|  | <u>Beginning<br/>balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Component unit (continued):              |                              |                   |                  |                           |
| Less accumulated depreciation for:       |                              |                   |                  |                           |
| Equipment                                | \$ (57,935)                  | \$ (5,188)        | \$ -             | \$ (63,123)               |
| Vehicles                                 | <u>(25,150)</u>              | <u>(6,453)</u>    | <u>-</u>         | <u>(31,603)</u>           |
| Total accumulated depreciation           | <u>(83,085)</u>              | <u>(11,641)</u>   | <u>-</u>         | <u>(94,726)</u>           |
| Total component unit capital assets, net | <u>\$ 76,053</u>             | <u>\$ (6,577)</u> | <u>\$ -</u>      | <u>\$ 69,476</u>          |

Depreciation expense was charged to governmental activities as follows:

|                               |                   |
|-------------------------------|-------------------|
| General government            | \$ 61,928         |
| Public safety                 | 93,074            |
| Public works                  | 220,076           |
| Recreation and culture        | <u>123,516</u>    |
| Total governmental activities | <u>\$ 498,594</u> |

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At December 31, 2004, the composition of interfund balances was as follows:

| <u>Fund</u>                         | <u>Receivable</u> | <u>Fund</u>                 | <u>Payable</u>   |
|-------------------------------------|-------------------|-----------------------------|------------------|
| Sewer and Water<br>Improvement Fund | <u>\$ 17,695</u>  | CDBG Grant Fund             | \$ 11,678        |
|                                     |                   | Nonmajor governmental funds | <u>\$ 6,017</u>  |
|                                     |                   | Total                       | <u>\$ 17,695</u> |

This interfund receivable is due to costs being paid on behalf of other funds.

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):**

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

| <i>Fund</i>                         | <i>Transfer<br/>in</i> | <i>Fund</i>                         | <i>Transfer<br/>out</i> |
|-------------------------------------|------------------------|-------------------------------------|-------------------------|
| Sewer and Water<br>Improvement Fund | <u>\$ 159,777</u>      | Nonmajor governmental funds         | <u>\$ 159,777</u>       |
| Nonmajor governmental funds         | <u>37,365</u>          | Sewer and Water<br>Improvement Fund | <u>37,365</u>           |
| Total                               | <u>\$ 197,142</u>      | Total                               | <u>\$ -</u>             |

The transfer in to the Sewer and Water Improvement Fund represents support for additional infrastructure construction.

The transfer in to the nonmajor governmental funds represents support for debt service costs.

**NOTE 7 - PAYABLES:**

At December 31, 2004, the Township's payables were as follows:

|                                  | <i>Accounts</i>   | <i>Payroll</i>  | <i>Interest</i>  | <i>Totals</i>     |
|----------------------------------|-------------------|-----------------|------------------|-------------------|
| Governmental activities:         |                   |                 |                  |                   |
| General Fund                     | \$ 131,015        | \$ 2,215        | \$ -             | \$ 133,230        |
| Fire Operating Fund              | 34,067            | -               |                  | 34,067            |
| Library Fund                     | 20,755            | -               |                  | 20,755            |
| Sewer and Water Improvement Fund | 12,616            | -               |                  | 12,616            |
| CDBG Grant Fund                  | 124,590           | -               | -                | 124,590           |
| 1993 Sewer Bond Fund             | -                 |                 | 27,760           | 27,760            |
| 1996 Sewer Bond Fund             | -                 |                 | 26,718           | 26,718            |
| Nonmajor governmental funds      | <u>13,688</u>     | <u>-</u>        | <u>-</u>         | <u>13,688</u>     |
| Total governmental activities    | <u>\$ 336,731</u> | <u>\$ 2,215</u> | <u>\$ 54,478</u> | <u>\$ 393,424</u> |
| Business-type activities:        |                   |                 |                  |                   |
| Building Inspection              | <u>\$ 12,306</u>  | <u>\$ 5,417</u> | <u>\$ -</u>      | <u>\$ 17,723</u>  |

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 – DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

| <u>Fund</u>                 | <u>Unearned</u>     | <u>Unavailable</u>  | <u>Totals</u>       |
|-----------------------------|---------------------|---------------------|---------------------|
| Primary government          |                     |                     |                     |
| General                     | \$ 608,090          | \$ -                | \$ 608,090          |
| Fire Operating              | 934,308             | -                   | 934,308             |
| Library                     | 613,441             | -                   | 613,441             |
| Sewer and Water Improvement | -                   | 136,072             | 136,072             |
| 1993 Sewer Bond             |                     | 252,562             | 252,562             |
| 1996 Sewer Bond             |                     | 529,864             | 529,864             |
| Nonmajor governmental funds | <u>340,625</u>      | <u>237,046</u>      | <u>577,671</u>      |
|                             | <u>\$ 2,496,464</u> | <u>\$ 1,155,544</u> | <u>\$ 3,652,008</u> |
| Component unit:             |                     |                     |                     |
| Comstock Community Center   | <u>\$ 22,304</u>    | <u>\$ -</u>         | <u>\$ 22,304</u>    |

**NOTE 9 - LONG-TERM OBLIGATIONS:**

At December 31, 2004, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

Bonds payable:

\$2,800,000 1993 Limited Tax General Obligation Bonds; due in annual installments of \$150,000 to \$175,000 plus interest at 4.0% to 6.8% through May 2013. \$ 1,400,000

\$2,100,000 1996 Limited Tax General Obligation Bonds; due in annual installments of \$100,000 to \$125,000 plus interest at 4.75% to 7.75% through May 2016. 1,400,000

Total governmental activities long-term obligations \$ 2,800,000

Business-type activities:

Compensated absences \$ 5,417

Component unit:

Comstock Community Center  
 Compensated absences \$ 12,748

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS (Continued):**

Long-term obligation activity for the year ended December 31, 2004, was as follows:

|  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>balance</u> | <u>Amounts<br/>due within<br/>one year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--|
| Primary government:                                    |                              |                  |                     |                           |  |
| Governmental activities:                               |                              |                  |                     |                           |  |
| 1990 LTGO Bonds  | \$ 20,000                    | \$ -             | \$ (20,000)         | \$ -                      | \$ -                                       |
| 1990 LTGO Bonds  | 15,000                       | -                | (15,000)            | -                         | -  |
| 1993 LTGO Bonds  | 1,550,000                    | -                | (150,000)           | 1,400,000                 | 150,000                                    |
| 1996 LTGO Bonds  | 1,500,000                    | -                | (100,000)           | 1,400,000                 | 100,000                                    |
| Total governmental activities<br>long-term obligations | <u>\$ 3,085,000</u>          | <u>\$ -</u>      | <u>\$ (285,000)</u> | <u>\$ 2,800,000</u>       | <u>\$ 250,000</u>                          |
| Business-type activities:                              |                              |                  |                     |                           |  |
| Compensated absences                                   | <u>\$ 5,243</u>              | <u>\$ 979</u>    | <u>\$ (805)</u>     | <u>\$ 5,417</u>           | <u>\$ -</u>                                |
| Component unit:  |                              |                  |                     |                           |  |
| Compensated absences                                   | <u>\$ 8,812</u>              | <u>\$ 31,184</u> | <u>\$ (27,248)</u>  | <u>\$ 12,748</u>          | <u>\$ -</u>                                |

A portion of the 1993 LTGO Bonds were refunded by the subsequent issuance of \$1,295,000 refunding bonds.

At December 31, 2004, debt service requirements, excluding compensated absences, were as follows:

| <u>Year ended<br/>December 31:</u> | <u>Governmental activities</u> |                     |
|------------------------------------|--------------------------------|---------------------|
|                                    | <u>Principal</u>               | <u>Interest</u>     |
| 2005                               | \$ 250,000                     | \$ 380,750          |
| 2006                               | 250,000                        | 368,725             |
| 2007                               | 250,000                        | 356,550             |
| 2008                               | 250,000                        | 344,300             |
| 2009                               | 275,000                        | 356,456             |
| 2010 - 2014                        | 1,275,000                      | 1,477,982           |
| 2015 - 2019                        | <u>250,000</u>                 | <u>261,876</u>      |
| Totals                             | <u>\$ 2,800,000</u>            | <u>\$ 3,546,639</u> |

**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 13% of the employee's base salary each month. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after six months of continuous service. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$114,608 and \$53,474, respectively, for the year ended December 31, 2004.

The Center provides pension benefits for all of its full-time employees through a defined contribution plan.

In a defined contribution plan, balances depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at one year from the date of employment. The Center contributes an amount equal to 7% of the employee's base salary each month. The Center's contributions for each employee (and interest allocated to the employee's account) are vested immediately. The Center is not a trustee of the plan, nor is the Center responsible for investment management of plan assets.

The Center made the required contributions of \$23,182 for the year ended December 31, 2004.

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents and injuries.

Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverages for general, professional, and wrongful act liabilities are set at \$5,000,000 per incident, with policy period maximums at \$6,000,000 to \$7,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$5,000,000 and damage coverage at replacement value for fire and rescue vehicles up to approximately \$800,000, and at cash values for other Township vehicles. Buildings and property coverages total approximately \$7,000,000.



**Charter Township of Comstock**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective January 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

|  |                      |
|--|----------------------|
| Net assets, as previously reported<br>(General, special revenue, and debt service funds)   | \$ 3,693,681         |
| Capitalization of capital assets, net of accumulated depreciation, not previously reported | 11,177,429           |
| Special assessments and contracts previously deferred                                      | 1,298,060            |
| Accrual of interest on long-term obligations   | (61,884)             |
| Bonds payable, that were previously reported in the general long-term debt account group   | <u>(3,085,000)</u>   |
| Net assets, as restated  | <u>\$ 13,022,286</u> |

**NOTE 13 - COMMITTED CONSTRUCTION:**

At December 31, 2004, the Township had the following contractual construction commitments:

|                             | <u>Project<br/>authorization</u> | <u>Expended through<br/>December 31, 2004</u> | <u>Committed</u> |
|-----------------------------|----------------------------------|---|------------------|
| Infrastructure improvements | <u>\$2,841,182</u>               | <u>\$2,324,820</u>                            | <u>\$516,362</u> |

This project is to be funded by the CDBG federal grant and by Sewer and Water Improvement Fund available reserves.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Comstock**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2004

|                             | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>    | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|-----------------------------|----------------------------|---------------------------|------------------|---|
| <b>REVENUES:</b>            |                            |                           |                  |   |
| Taxes:                      |                            |                           |                  |   |
| Property taxes              | \$ 574,981                 | \$ 574,981                | \$ 575,821       | \$ 840  |
| Tax collection fees         | 132,930                    | 132,930                   | 148,241          | 15,311  |
| Total taxes                 | <u>707,911</u>             | <u>707,911</u>            | <u>724,062</u>   | <u>16,151</u>                                   |
| Licenses and permits:       |                            |                           |                  |   |
| Park permits                | 18,000                     | 18,000                    | 16,082           | (1,918)   |
| Cable TV franchise fees     | 64,000                     | 64,000                    | 70,186           | 6,186   |
| Total licenses and permits  | <u>82,000</u>              | <u>82,000</u>             | <u>86,268</u>    | <u>4,268</u>                                    |
| State grants:               |                            |                           |                  |   |
| State shared revenues       | 1,126,335                  | 1,126,335                 | 1,063,866        | (62,469)  |
| Right of way fees           | 12,000                     | 12,000                    | 8,294            | (3,706)   |
| Liquor license fees         | 6,695                      | 6,695                     | 7,247            | 552   |
| Total state grants          | <u>1,145,030</u>           | <u>1,145,030</u>          | <u>1,079,407</u> | <u>(65,623)</u>                                 |
| Charges for services:       |                            |                           |                  |   |
| Utility surcharges          | 20,000                     | 20,000                    | 20,000           | -   |
| Planning and zoning fees    | 15,150                     | 19,150                    | 21,732           | 2,582   |
| Solid waste compactor fees  | 58,000                     | 58,000                    | 46,706           | (11,294)  |
| Recreation fees             | 63,800                     | 80,215                    | 89,944           | 9,729   |
| Cemetery charges            | 20,000                     | 20,000                    | 22,725           | 2,725   |
| Other                       | 1,538                      | 1,538                     | 4,220            | 2,682   |
| Total charges for services  | <u>178,488</u>             | <u>198,903</u>            | <u>205,327</u>   | <u>6,424</u>                                    |
| Fines and forfeitures:      |                            |                           |                  |   |
| Parking tickets             | 2,600                      | 2,600                     | 4,505            | 1,905   |
| District court fees         | 18,000                     | 18,000                    | 17,767           | (233)   |
| Total fines and forfeitures | <u>20,600</u>              | <u>20,600</u>             | <u>22,272</u>    | <u>1,672</u>                                    |
| Interest                    | <u>10,000</u>              | <u>10,000</u>             | <u>37,292</u>    | <u>27,292</u>                                   |
| Other - miscellaneous       | <u>200</u>                 | <u>200</u>                | <u>2,271</u>     | <u>2,071</u>                                    |
| Total revenues              | <u>2,144,229</u>           | <u>2,164,644</u>          | <u>2,156,899</u> | <u>(7,745)</u>                                  |

**Charter Township of Comstock**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended December 31, 2004

|   | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| <b>EXPENDITURES:</b>                            |                            |                           |                   |   |
| Legislative - Township Board                    | \$ 23,250                  | \$ 23,250                 | \$ 21,797         | \$ 1,453  |
| General government:                             |                            |                           |                   |   |
| General services                                | 148,111                    | 117,779                   | 93,525            | 24,254  |
| Supervisor                                      | 138,858                    | 138,365                   | 137,931           | 434   |
| Elections                                       | 19,428                     | 27,462                    | 22,716            | 4,746   |
| Assessor  | 120,118                    | 126,440                   | 120,287           | 6,153   |
| Clerk   | 112,515                    | 108,612                   | 107,958           | 654   |
| Board of review                                 | 2,853                      | 2,853                     | 1,592             | 1,261   |
| Treasurer                                       | 130,141                    | 130,416                   | 128,632           | 1,784   |
| Computer operations                             | 21,500                     | 15,601                    | 12,662            | 2,939   |
| Building and grounds                            | 81,960                     | 81,813                    | 79,282            | 2,531   |
| Cemetery  | 28,275                     | 35,461                    | 37,257            | (1,796)   |
| Total general government                        | <u>803,759</u>             | <u>784,802</u>            | <u>741,842</u>    | <u>42,960</u>                                   |
| Public safety:                                  |                            |                           |                   |   |
| Police contract                                 | 392,782                    | 377,782                   | 377,034           | 748   |
| Ordinance enforcement                           | 60,599                     | 62,175                    | 60,296            | 1,879   |
| Total public safety                             | <u>453,381</u>             | <u>439,957</u>            | <u>437,330</u>    | <u>2,627</u>                                    |
| Public works - highways and streets             | <u>120,150</u>             | <u>96,150</u>             | <u>89,885</u>     | <u>6,265</u>                                    |
| Community and economic development - planning   | <u>87,054</u>              | <u>83,054</u>             | <u>74,949</u>     | <u>8,105</u>                                    |
| Health and welfare:                             |                            |                           |                   |   |
| City bus service                                | 32,957                     | 32,957                    | 33,428            | (471)   |
| Solid waste compactor                           | 104,618                    | 109,818                   | 105,719           | 4,099   |
| Total health and welfare                        | <u>137,575</u>             | <u>142,775</u>            | <u>139,147</u>    | <u>3,628</u>                                    |
| Culture and recreation - parks and recreation   | <u>309,279</u>             | <u>323,496</u>            | <u>319,581</u>    | <u>3,915</u>                                    |
| Capital outlay                                  | <u>16,000</u>              | <u>47,158</u>             | <u>59,512</u>     | <u>(12,354)</u>                                 |
| Total expenditures                              | <u>1,950,448</u>           | <u>1,940,642</u>          | <u>1,884,043</u>  | <u>56,599</u>                                   |
| <b>EXCESS OF REVENUES OVER<br/>EXPENDITURES</b> | 193,781                    | 224,002                   | 272,856           | 48,854  |
| <b>OTHER FINANCING USES</b>                     |                            |                           |                   |   |
| Transfer to component unit                      | <u>(193,781)</u>           | <u>(193,781)</u>          | <u>(192,579)</u>  | <u>1,202</u>                                    |
| <b>NET CHANGE IN FUND BALANCES</b>              | -                          | 30,221                    | 80,277            | 50,056  |
| <b>FUND BALANCES - BEGINNING</b>                | <u>460,152</u>             | <u>460,152</u>            | <u>460,152</u>    | -   |
| <b>FUND BALANCES - ENDING</b>                   | <u>\$ 460,152</u>          | <u>\$ 490,373</u>         | <u>\$ 540,429</u> | <u>\$ 50,056</u>                                |

**Charter Township of Comstock**  
**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**  
Year ended December 31, 2004

|                                    | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|------------------------------------|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>                    |                            |                           |                   |   |
| Federal grants                     | \$ -                       | \$ -                      | \$ 27,925         | \$ 27,925                                       |
| Interest                           | 6,000                      | 6,000                     | 2,894             | (3,106)   |
| Other                              |                            |                           |                   |   |
| Special assessments                | 873,836                    | 873,836                   | 873,718           | (118)   |
| Other                              | <u>11,475</u>              | <u>11,475</u>             | <u>7,867</u>      | <u>(3,608)</u>                                  |
| Total revenues                     | <u>891,311</u>             | <u>891,311</u>            | <u>912,404</u>    | <u>21,093</u>                                   |
| <b>EXPENDITURES</b>                |                            |                           |                   |   |
| Public safety                      | 869,311                    | 893,084                   | 868,282           | 24,802  |
| Capital outlay                     | <u>22,000</u>              | <u>82,345</u>             | <u>103,455</u>    | <u>(21,110)</u>                                 |
| Total expenditures                 | <u>891,311</u>             | <u>975,429</u>            | <u>971,737</u>    | <u>3,692</u>                                    |
| <b>NET CHANGE IN FUND BALANCES</b> | -                          | (84,118)                  | (59,333)          | 24,785  |
| <b>FUND BALANCES - BEGINNING</b>   | <u>327,626</u>             | <u>327,626</u>            | <u>327,626</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>      | <u>\$ 327,626</u>          | <u>\$ 243,508</u>         | <u>\$ 268,293</u> | <u>\$ 24,785</u>                                |

**Charter Township of Comstock**

**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended December 31, 2004

|  | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u> | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|----------------------------|---------------------------|---------------|---|
| <b>REVENUES</b>                        |                            |                           |               |   |
| Property taxes                         | \$ 563,000                 | \$ 563,000                | \$ 579,360    | \$ 16,360                                       |
| State grants:                          |                            |                           |               |   |
| State aid                              | 10,000                     | 10,000                    | 12,087        | 2,087   |
| State shared revenue                   | 7,000                      | 7,000                     | 25,590        | 18,590  |
| Total state grants                     | 17,000                     | 17,000                    | 37,677        | 20,677  |
| Charges for services                   | 5,470                      | 5,470                     | 5,628         | 158   |
| Fines and forfeitures:                 |                            |                           |               |   |
| County shared penal fines              | 4,500                      | 4,500                     | 5,653         | 1,153   |
| Book fines                             | 27,000                     | 27,000                    | 32,152        | 5,152   |
| Total fines and forfeitures            | 31,500                     | 31,500                    | 37,805        | 6,305   |
| Interest and rentals                   | 16,500                     | 16,500                    | 10,285        | (6,215)   |
| Other - donations                      | 200                        | 200                       | 492           | 292   |
| Total revenues                         | 633,670                    | 633,670                   | 671,247       | 37,577  |
| <b>EXPENDITURES:</b>                   |                            |                           |               |   |
| Legislative                            | 12,495                     | 7,795                     | 6,556         | 1,239   |
| Culture and recreation:                |                            |                           |               |   |
| Administrative                         | 65,540                     | 66,550                    | 65,943        | 607   |
| Adult services                         | 170,690                    | 172,715                   | 168,991       | 3,724   |
| Books and materials                    | 118,000                    | 126,115                   | 121,458       | 4,657   |
| Youth services                         | 58,530                     | 60,180                    | 59,190        | 990   |
| Clerical                               | 115,130                    | 116,530                   | 114,167       | 2,363   |
| Building operations and<br>maintenance | 59,385                     | 67,288                    | 60,432        | 6,856   |
| Equipment maintenance                  | 5,900                      | 10,700                    | 7,681         | 3,019   |
| Total culture and recreation           | 593,175                    | 620,078                   | 597,862       | 22,216  |

**Charter Township of Comstock****BUDGETARY COMPARISON SCHEDULE - Library Fund (Continued)**

Year ended December 31, 2004

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|                                    | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|------------------------------------|----------------------------|---------------------------|-------------------|---|
| <b>EXPENDITURES (Continued):</b>   |                            |                           |                   |   |
| Capital outlay                     | \$ 28,000                  | \$ 20,000                 | \$ 19,595         | \$ 405  |
| Total expenditures                 | <u>633,670</u>             | <u>647,873</u>            | <u>624,013</u>    | <u>23,860</u>                                   |
| <b>NET CHANGE IN FUND BALANCES</b> | -                          | (14,203)                  | 47,234            | 61,437  |
| <b>FUND BALANCES - BEGINNING</b>   | <u>490,200</u>             | <u>490,200</u>            | <u>490,200</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>      | <u>\$ 490,200</u>          | <u>\$ 475,997</u>         | <u>\$ 537,434</u> | <u>\$ 61,437</u>                                |

**Charter Township of Comstock**

**BUDGETARY COMPARISON SCHEDULE - Sewer and Water Improvement Fund**

Year ended December 31, 2004

|   | <u>Original/<br/>Amended<br/>budget</u> | <u>Actual</u> | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|---|---------------|---|
| <b>REVENUES</b>                                 |   |               |   |
| Charges for services                            | \$ -                                    | \$ 216,100    | \$ 216,100                                      |
| Interest  | -                                       | 19,639        | 19,639  |
| Total revenues                                  | -                                       | 235,739       | 235,739   |
| <b>EXPENDITURES:</b>                            |   |               |   |
| Public works:                                   |   |               |   |
| Construction                                    | -                                       | 5,712         | (5,712)   |
| Other   | -                                       | 38,135        | (38,135)  |
| Total public works                              | -                                       | 43,847        | (43,847)  |
| <b>EXCESS OF REVENUES OVER<br/>EXPENDITURES</b> | -                                       | 191,892       | 191,892   |
| <b>OTHER FINANCING SOURCES (USES)</b>           |   |               |   |
| Transfer from Unbonded Sewer Districts Fund     | -                                       | 20,810        | 20,810  |
| Transfer from Unbonded Water Districts Fund     | -                                       | 8,161         | 8,161   |
| Transfer from 1981 Sewer Bond Fund              | -                                       | 5,563         | 5,563   |
| Transfer from 1984 Sewer Bond Fund              | -                                       | 125,243       | 125,243   |
| Transfer to 1989 Water Bond Fund                | -                                       | (37,365)      | (37,365)  |
| Total other financing sources                   | -                                       | 122,412       | 122,412   |
| <b>NET CHANGE IN FUND BALANCES</b>              | -                                       | 314,304       | 314,304   |
| <b>FUND BALANCES - BEGINNING</b>                | 314,304                                 | 929,627       | 615,323   |
| <b>FUND BALANCES - ENDING</b>                   | \$ 314,304                              | \$ 1,243,931  | \$ 929,627                                      |



## **SUPPLEMENTARY INFORMATION**

**Charter Township of Comstock**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2004

|  | <b>Special revenue funds</b>                   |                                   |  |  |   | <b>Totals</b>     |
|--|--|-----------------------------------|--|--|---|-------------------|
|  | <b><i>Fire<br/>Capital<br/>Improvement</i></b> | <b><i>Street<br/>Lighting</i></b> | <b><i>Unbonded<br/>Sewer<br/>Districts</i></b> | <b><i>Unbonded<br/>Water<br/>Districts</i></b> | <b><i>Elderly<br/>and Low<br/>Income<br/>Assistance</i></b> |                   |
| <b>ASSETS</b>                            |  |                                   |  |  |   |                   |
| Cash                                     | \$ 439,731                                     | \$ 107,106                        | \$ -   | \$ 3,391                                       | \$ 15,508   | \$ 565,736        |
| Receivables (net)                        | <u>101,706</u>                                 | <u>85,517</u>                     | <u>110,567</u>                                 | <u>126,581</u>                                 | <u>-</u>  | <u>424,371</u>    |
| Total assets                             | <u>\$ 541,437</u>                              | <u>\$ 192,623</u>                 | <u>\$ 110,567</u>                              | <u>\$ 129,972</u>                              | <u>\$ 15,508</u>  | <u>\$ 990,107</u> |
| <b>LIABILITIES AND FUND<br/>BALANCES</b> |  |                                   |  |  |   |                   |
| Liabilities:                             |  |                                   |  |  |   |                   |
| Payables                                 | \$ -   | \$ 13,688                         | \$ -   | \$ -   | \$ -  | \$ 13,688         |
| Due to other funds                       | -  | -                                 | 594  | 4,170  | -   | 4,764             |
| Deferred revenue                         | <u>186,841</u>                                 | <u>153,784</u>                    | <u>109,973</u>                                 | <u>125,802</u>                                 | <u>-</u>  | <u>576,400</u>    |
| Total liabilities                        | 186,841  | 167,472                           | 110,567  | 129,972  | -   | 594,852           |
| Fund balances:                           |  |                                   |  |  |   |                   |
| Unreserved, undesignated                 | <u>354,596</u>                                 | <u>25,151</u>                     | <u>-</u>                                       | <u>-</u>                                       | <u>15,508</u>   | <u>395,255</u>    |
| Total liabilities and<br>fund balances   | <u>\$ 541,437</u>                              | <u>\$ 192,623</u>                 | <u>\$ 110,567</u>                              | <u>\$ 129,972</u>                              | <u>\$ 15,508</u>  | <u>\$ 990,107</u> |

| <i>Debt service funds</i>               |   |   |                 | <i>Total<br/>other<br/>govern-<br/>mental<br/>funds</i> |
|---|---|---|-----------------|---|
| <i>1981<br/>Sewer<br/>Bond<br/>Fund</i> | <i>1984<br/>Sewer<br/>Bond<br/>Fund</i> | <i>1989<br/>Water<br/>Bond<br/>Fund</i> | <i>Totals</i>   |   |
| \$ -                                    | \$ -                                    | \$ 859                                  | \$ 859          | \$ 566,595  |
| -                                       | -                                       | 2,525                                   | 2,525           | 426,896   |
| <u>\$ -</u>                             | <u>\$ -</u>                             | <u>\$ 3,384</u>                         | <u>\$ 3,384</u> | <u>\$ 993,491</u>                                       |
|   |   |   |                 |   |
| \$ -                                    | \$ -                                    | \$ -                                    | \$ -            | \$ 13,688   |
| -                                       | -                                       | 1,253                                   | 1,253           | 6,017   |
| -                                       | -                                       | 1,271                                   | 1,271           | 577,671   |
| -                                       | -                                       | 2,524                                   | 2,524           | 597,376   |
| -                                       | -                                       | 860                                     | 860             | 396,115   |
| <u>\$ -</u>                             | <u>\$ -</u>                             | <u>\$ 3,384</u>                         | <u>\$ 3,384</u> | <u>\$ 993,491</u>                                       |

**Charter Township of Comstock**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - nonmajor governmental funds**  
Year ended December 31, 2004

|  | <b>Special revenue funds</b>            |                            |   |   |  |               |
|--|---|----------------------------|---|---|--|---------------|
|  | <b>Fire<br/>Capital<br/>Improvement</b> | <b>Street<br/>Lighting</b> | <b>Unbonded<br/>Sewer<br/>Districts</b> | <b>Unbonded<br/>Water<br/>Districts</b> | <b>Elderly<br/>and Low<br/>Income<br/>Assistance</b> | <b>Totals</b> |
| <b>REVENUES</b>  |   |                            |   |   |  |               |
| Interest   | \$ 4,758                                | \$ -                       | \$ 8,459                                | \$ 2,728                                | \$ -   | \$ 15,945     |
| Other  | 174,636                                 | 176,450                    | 13,251                                  | 6,333                                   | -  | 370,670       |
| Total revenues   | 179,394                                 | 176,450                    | 21,710                                  | 9,061                                   | -  | 386,615       |
| <b>EXPENDITURES</b>  |   |                            |   |   |  |               |
| Public safety  | 1,810                                   | -                          | -                                       | -                                       | -  | 1,810         |
| Public works   | -                                       | 172,098                    | 900                                     | 900                                     | -  | 173,898       |
| Health and welfare   | -                                       | -                          | -                                       | -                                       | -  | -             |
| Culture and recreation   | -                                       | -                          | -                                       | -                                       | -  | -             |
| Debt service:  |   |                            |   |   |  |               |
| Principal  | -                                       | -                          | -                                       | -                                       | -  | -             |
| Interest   | -                                       | -                          | -                                       | -                                       | -  | -             |
| Capital outlay   | 5,023                                   | -                          | -                                       | -                                       | -  | 5,023         |
| Total expenditures   | 6,833                                   | 172,098                    | 900                                     | 900                                     | -  | 180,731       |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER<br/>EXPENDITURES</b> | 172,561                                 | 4,352                      | 20,810                                  | 8,161                                   | -  | 205,884       |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                        |   |                            |   |   |  |               |
| Transfers in   | -                                       | -                          | -                                       | -                                       | -  | -             |
| Transfers out  | -                                       | -                          | (20,810)                                | (8,161)                                 | -  | (28,971)      |
| Total other financing<br>sources (uses)                          | -                                       | -                          | (20,810)                                | (8,161)                                 | -  | (28,971)      |
| <b>NET CHANGE IN FUND BALANCES</b>                               | 172,561                                 | 4,352                      | -                                       | -                                       | -  | 176,913       |
| <b>FUND BALANCES - BEGINNING</b>                                 | 182,035                                 | 20,799                     | -                                       | -                                       | 15,508   | 218,342       |
| <b>FUND BALANCES - ENDING</b>                                    | \$ 354,596                              | \$ 25,151                  | \$ -                                    | \$ -                                    | \$ 15,508  | \$ 395,255    |

| <i>Debt service funds</i>               |   |   |               | <i>Total<br/>other<br/>govern-<br/>mental<br/>funds</i> |
|---|---|---|---------------|---|
| <i>1981<br/>Sewer<br/>Bond<br/>Fund</i> | <i>1984<br/>Sewer<br/>Bond<br/>Fund</i> | <i>1989<br/>Water<br/>Bond<br/>Fund</i> | <i>Totals</i> |   |
| \$ -                                    | \$ -                                    | \$ 860                                  | \$ 860        | \$ 16,805   |
| -                                       | -                                       | 2,268                                   | 2,268         | 372,938   |
| -                                       | -                                       | 3,128                                   | 3,128         | 389,743   |
| -                                       | -                                       | -                                       | -             | 1,810   |
| -                                       | -                                       | 3,890                                   | 3,890         | 177,788   |
| -                                       | -                                       | -                                       | -             | -   |
| -                                       | -                                       | -                                       | -             | -   |
| -                                       | -                                       | 35,000                                  | 35,000        | 35,000  |
| -                                       | -                                       | 1,810                                   | 1,810         | 1,810   |
| -                                       | -                                       | -                                       | -             | 5,023   |
| -                                       | -                                       | 40,700                                  | 40,700        | 221,431   |
| -                                       | -                                       | (37,572)                                | (37,572)      | 168,312   |
| -                                       | -                                       | 37,365                                  | 37,365        | 37,365  |
| (5,563)                                 | (125,243)                               | -                                       | (130,806)     | (159,777)   |
| (5,563)                                 | (125,243)                               | 37,365                                  | (93,441)      | (122,412)   |
| (5,563)                                 | (125,243)                               | (207)                                   | (131,013)     | 45,900  |
| 5,563                                   | 125,243                                 | 1,067                                   | 131,873       | 350,215   |
| \$ -                                    | \$ -                                    | \$ 860                                  | \$ 860        | \$ 396,115  |

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Township Board  
Charter Township of Comstock, Michigan**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 24, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Charter Township of Comstock, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Charter Township of Comstock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Charter Township of Comstock, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

**Township Board  
Charter Township of Comstock, Michigan  
Page 2**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of the Township Board, management, the U.S. Department of Housing and Urban Development, and the Michigan Economic Development Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

May 24, 2005

## **EXPENDITURES OF FEDERAL AWARDS**



**Charter Township of Comstock**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended December 31, 2004

| <u>Federal grantor/<br/>pass-through grantor/<br/>program title</u>  | <u>Federal<br/>CFDA number</u> | <u>Pass-through<br/>grantor's<br/>number</u> | <u>Program<br/>award<br/>amount</u> | <u>Accrued<br/>January 1<br/>2004</u> | <u>Receipts</u>     | <u>Expenses</u>     | <u>Accrued<br/>December 31,<br/>2004</u> |
|--|--------------------------------|--|-------------------------------------|---------------------------------------|---------------------|---------------------|--|
| U.S. Department of Housing and<br>Urban Development:<br>Community Development:<br>Block Grant/State's Program<br>Passed through Michigan Economic<br>Development Corporation | 14.228                         | MSC 202072-EDIG                              | \$ 3,000,000                        | \$ -                                  | \$ 2,478,763        | \$ 2,615,031        | \$ 136,268                               |
| Federal Emergency Management Agency<br>Public Assistance Grants  | 83.544                         | 2004   | <u>27,925</u>                       | <u>-</u>                              | <u>27,925</u>       | <u>27,925</u>       | <u>-</u>                                 |
| Total federal awards   |                                |  | <u>\$ 3,027,925</u>                 | <u>\$ -</u>                           | <u>\$ 2,506,688</u> | <u>\$ 2,642,956</u> | <u>\$ 136,268</u>                        |

**Charter Township of Comstock, Michigan**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year ended December 31, 2004*

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Charter Township of Comstock, Michigan.
2. One reportable condition relating to the audit of the financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Charter Township of Comstock, Michigan, were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal award program was reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award program for Charter Township of Comstock, Michigan, expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for Charter Township of Comstock, Michigan, are reported in Part C of this Schedule.
7. The program tested as major program:

| <u>Federal agency</u>                               | <u>Program name</u>                                    | <u>CFDA #</u> |
|---|--|---------------|
| U.S. Department of<br>Housing and Urban Development | Community Development<br>Block Grant – State's Program | 14.228        |

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Charter Township of Comstock, Michigan, was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

See finding 2004-1

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

See finding 2004-1

**D. PRIOR YEAR FINDINGS**

NONE

**Charter Township of Comstock, Michigan**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2004

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Finding  
No.

Questioned  
Costs

2004-1      **CFDA 14.228 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

*Condition:* The Township did not have adequate procedures in place to ensure that receipts were recorded in a timely manner and with adequate information to allow for proper revenue classification.

NONE

*Criteria:* Adequate accounting procedures for the recording of revenue and receipts are an essential component of internal control for the preparation of basic financial statements and necessary for the administration of a major federal program.

*Effect:* Several receipts were unrecorded for the year.

*Cause:* The Township did not have adequate controls in place, including sufficient monitoring and segregation of duties, to ensure that all deposits were recorded in the accounting records in a complete and timely manner.

*Management's response:* This issue has been addressed by the establishment of segregated responsibilities for the reconciliation of bank activity to the general ledger and by the standardization of receipting procedures. The Township continues to improve this process through communication, training, and monitoring performed by management. All receipts have now been recorded in the Township's accounting records.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Township Board  
Charter Township of Comstock, Michigan

**Compliance**

We have audited the compliance of Charter Township of Comstock, Michigan, with the types of compliance requirements described in the U.S. Office of Management Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Charter Township of Comstock, Michigan's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Charter Township of Comstock, Michigan's management. Our responsibility is to express an opinion on Charter Township of Comstock, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charter Township of Comstock, Michigan's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Charter Township of Comstock, Michigan's compliance with those requirements.

In our opinion, Charter Township of Comstock, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

**Internal Control Over Compliance**

The management of Charter Township of Comstock, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Charter Township of Comstock, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Charter Township of Comstock, Michigan's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of the Township Board, management, the U.S. Department of Housing and Urban Development, and the Michigan Economic Development Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

May 24, 2005